

Message Text

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E.O. 11652: GDS

TAGS: EALR, EINV, ENRG, CG, US

SUBJECT: TEXACO NEGOTIATIONS WITH GOZ ON PARTICIPATION/COMPENSATION

1. SUMMARY. TEXACO HELD WEEK OF SPORADIC NEGOTIATIONS WITH GOZ ON QUESTIONS OF COMPENSATION FOR ASSETS TAKEN IN 1973 NATIONALIZATION AND OF MODALITIES OF PARTICIPATION IN PARTICULARLY RETROCEDED PATROLEUM SECOR. PROGRESS SEEMED GRATIFYING BUT NOT OVERWHELMING, UNTIL BISENGIMANA TOLD DCM FEW DAYS AFTERWARD THAT DECISION ON SHAPE OF DE-RADICALIZED SECTOR HAD BEEN TAKEN. ACCORDING BISENGIMANA, TEXACO/MOBIL SCENARIO FOR ESTABLISHMENT OF SEPARATE COMPANIES WILL BE FOLLOWED. END SUMMARY.

2. THREE TEXACO REPS, JEAN POUPEU, GENERAL MANAGER OF TEXACO AFRICA, LTD., WILLIAM HILL, LEGAL COUNSEL TO TEXACO AFRICA, AND RICHARD SUDER, MANAGER TO TEXACO AFRICA FOR CENTRAL AFRICA, SPENT FIRST WEEK OF MARCH IN NEGOTIATIONS WITH GOZ ON QUESTIONS OF RESUMPTION OF PARTICIPATION IN NATIONALIZED OIL INDUSTRY AND OF COMPENSATION FOR NATIONALIZED ASSETS. MEETINGS WITH PRESIDENCY DIRECTOR
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BISENGIMANA AND WITH PRESIDENCY COUNSELFOR PEMBELE AND

PETRO ZAIRE DELEGATE GENERAL MPEYE SAW A MODICUM OF SUBSTANTIVE EXCHANGE ON BOTH ISSUES IN ADDITION TO A GREAT DEAL OF EXPECTED POSTURING.

3. BISENGIMANA OFFERED TO ACCEPT THE ARBITRATION OF A THIRD PARTY (SUGGESTED PRICE WATERHOUSE) IN DETERMINING WHAT VALUE TO ACCORD NATIONALIZED PROPERTIES. HE ALSO MAKE IT CLEAR THAT, AFTER ALL DETERMINATIONS AT TECHNICIANS' LEVEL, THERE WOULD STILL BE PLENTY OF ROOM FOR FURTHER COMPROMISE AT POLITICAL LEVEL. TEXACO WAS NOT ENTHUSIASTIC ABOUT PRICE WATERHOUSE ARBITRATION. IN MEETING WITH EVALUATION COMMISSION, GOZ AND TEXACO AGREED ON WHAT BOOK VALUE OF TEXACO'S ASSETS HAD BEEN AT TIME OF TAKEOVER (DEC.73), WITH EXCEPTIONS OF LAND AND 1968 POST-DEVALUATION REVALUATION OF ASSETS. GOZ SAYS VALUE WAS \$3.4 MILLION. TEXACO SAYS IT WAS \$4.6. POPEAU FURTHER INSISTED THAT QUESTION OF BOOK VALUE WAS MOOT SINCE TEXACO INSISTING ON MARKET. VALUE AS BASIS FOR COMPENSATION - \$12 MILLION IN TEXACO'S OPENING GAMBIT.

4. ON PARTICIPATION SIDE, BISENGIMANA MADE POPEAU DEFEND SEPARTE-COMPANY THESIS, AS OPPOSED TO GOZ'S DESIRE TO HAVE EVERYONE TOGETHER IN PETROZAIRE. TEXACO PLACED PRIMARY EMPHASIS ON US ANTI-TRUST COMPLICATIONS OF GOING IN WITH MOBIL, PETROFINA AND SHELL IN SAME COMPANY. LATER PEMBELE OFFERED TEXACO THE MANAGEMENT OF PETROZAIRE'S RIVER BARGE AND TRANSPORTATION SYSTEM. ONCE AGAIN, TEXACO WAS NOT ENTHUSIASTIC. TEXACO ASKED FOR \$500 THOUSAND DOWN PAYMENT TOWARD COMPENSATION AS CONDITION PRECEDENT, AFTER FULFILLMENT OF WHICH TEXACO WOULD BE PREPARED TO FORM COMPANY WITH PETROZAIRE. TEXACO ENVISIONS THE FORTY PERCENT RECOVERY OF LOST ASSETS AS BECOMING A SIXTY PERCENT EQUITY IN THE NEW COMPANY. PETROZAIRE WOULD TAKE OTHER 40 PERCENT.

5. POPEAU AND PARTY LEFT KINSHASA WEEKEND OF MARCH 6TH, EXPRESSING SENTIMENT THAT "THERE HAD NOT BEEN SUFFICIENT HORSE-TRADING." THEY WERE ALSO WORRIED ABOUT PETRO-FINA AND ITS CLOUT, PARTICULARLY BEFORE
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BELGIAN FONMINISTER VAN ESLANDE'S PLANNED VISIT TO ZAIRE IN LATE MARCH. WHILE SOME FORWARD MOTION DURING PREVIOUS WEEK WAS ADMITTED, THERE DID NOT SEEM TO HAVE BEEN ANY MAJOR BREAKTHROUGHS MADE OR BINDING DECISIONS TAKEN.

6. IN RESPONSE TO QUESTION ON PROGRESS OF NEGOTIATIONS POSED BY DCM DURING MARCH 9 MEETING, BISENGIMANA

SAID DECISION HAD JUST BEEN TAKEN TO ADOPT THE SEPARATE-COMPANY SCENARIO. HE SAID THREE NEW ENTITIES WOULD BE ESTABLISHED, ONE WITH TEXACO AND PZ, ONE WITH MOBIL AND PZ, AND THIRD WITH PETROFINA, SHELL AND PZ. THIS HAD NOT BEEN ANNOUNCED OFFICIALLY OR IN WRITING.

7. WE HAVE INFORMED LOCAL TEXACO AND MOBIL REPS OF SUBSTANCE PARA 6 ABOVE. WE AND THEY ASSUME THAT DECISION TAKEN IS ONLY IN BROADEST OF TERMS, AND THAT RELATIVE POSITIONS WITHIN NEW COMPANIES, AMONG NEW COMPANIES AND BETWEEN NEW COMPANIES AND PETROZAIRE ARE STILL NEGOTIABLE. AND WE AND THEY REMAIN ALERT TO POSSIBILITY THAT THE BELGIANS MIGHT STILL FIN A WAY TO PUSH THROUGH THE SINGLE-COMPANY SOLUTION.
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